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ABSTRACT

Utah's Custom Fit Program (CFP) was reviewed in an attempt to evaluate a complex program. CFP provides funding to train employees of private businesses. In general, classroom training and on-the-job training for up to 500 hours is provided to full-time, entry-level employees of companies creating new jobs in Utah. Little legislative guidance had been provided as the program evolved over the past 10 years. Until recently, policy had not been clearly defined. Although there has been some confusion about program policy and management, the program appeared to have some positive benefits. CFP benefits the state by helping to encourage job growth. State and federal tax money is used to fund training programs tailored to specific businesses. The program gives the governor and his representatives a tool to use when negotiating with companies considering moving to Utah. CFP can be a useful economic development activity if it is well managed. The State Office of Education has recently made progress in improving management of the CFP and should continue to do so. Suggested administrative functions are monitoring of training programs, verification that companies are expanding, supervision during on-the-job training, and program follow-up. (Appendix A lists the uses of CFP funds in Fiscal Year 1989. Appendix B lists the number of trainees by company and institution for small business agreements in Fiscal Year 1988. A final attachment provides the response to the report from the State Superintendent of Public Instruction.) (CML)

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Audit Subcommittee of the Legislative Management Committee
Senator Wilford R. Black, Jr., Chairman • Senator Dix H. McMullin
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January 31, 1989

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Representative Beverly J. White
122 Russell Avenue
Tooele, UT 84074

Subject: **A Review of the State Office of Education's Custom Fit Program** (89-03)

Dear Representative White:

In response to your request we have reviewed the Custom Fit Program administered by the State Office of Education (SOE). One purpose of our letter is to attempt to explain a complex program. The program's complexity makes it difficult to evaluate. Little legislative intent has been provided as the program has evolved over the past ten years; until recently policy has not been clearly defined. While there has been some confusion about program policy and management, the program appears to have some positive benefits.

The Custom Fit Program benefits the state by helping to encourage job growth. State and federal tax money is used to fund training programs tailored to specific businesses. The program gives the Governor and his representatives a tool to use when negotiating with companies considering moving to Utah. In our opinion, the Custom Fit Program can be a useful economic development activity if it is well managed. The SOE has recently made progress improving management of the Custom Fit Program and should continue to do so.

In order to explain how the program operates and to summarize the results of our review, the body of this letter is organized into four sections:

1. **Custom Fit Program Is Complex.** This section explains what the program does, how it is organized, and how it was created; it describes program complexity and the lack of legislative intent.

2. **Custom Fit Program Appears To Provide Benefits.** This section summarizes how the program helps the state.

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3. **Policy Clarification Needed in Custom Fit Program.** This section reviews the problems that have existed in policy formulation and the improvements needed.

4. **Clear Administrative Procedures Are Needed.** This section details some past problems in program administration and discusses management controls needed to implement program policy.

Custom Fit Program Is Complex

The complexity of the Custom Fit Program and the lack of legislative intent make it difficult to assess whether the program is functioning as desired. The program was initiated with a legislative appropriation of $300,000 in fiscal year 1980, but has evolved since then with little legislative guidance. Since 1980, the program's organization has become complicated by a variety of funding sources and the involvement of many agencies. The administrative structure developed to manage the program has grown in size and complexity by drawing on different funding sources. However, since little legislative intent language exists, legislators may not be aware of how all funds are being spent. Because the program is fairly complex and relatively unknown, this section will try to describe what the Legislature has created with this program.

Program Funds Private Industry Training.

The Custom Fit Program provides funding to train employees of private businesses. In general, classroom training and on-the-job training (OJT) for up to 500 hours is provided to full-time entry level employees of companies creating new jobs in Utah. Since the training is designed to meet the unique needs of specific businesses, limited curriculum development costs may also be funded. The SOE provides the training funds to colleges and area vocational centers. The educational institutions either keep the curriculum development and classroom training funds to cover their costs or pay them to the private company depending on how the training is provided. The OJT funds go from the SOE to the institution, and are then paid to the company.

The program is divided into two segments, Large Businesses and Small Businesses. For each Large Business training program, a signed agreement details the responsibilities of the company, of the educational institution coordinating the training, and of the SOE.

A Large Business agreement is prepared if a company plans to train 11 or more employees within the agreement period. For example, one agreement last year provided $30,000 to train 40 new frozen food production and distribution workers. According to the agreement, each trainee would receive 50 hours of classroom training on safety, sanitation, materials handling, equipment operation, and maintenance followed by 400 hours of OJT. The agreement provided $7,000 to develop curriculum materials, $3,000 for classroom and laboratory training ($1.50 per hour for 2,000 trainee hours), $16,000 for OJT ($1.00 per hour for 16,000 trainee hours), and $4,000 for supervision of the OJT by the Area Vocational Center ($0.25 per hour for 16,000 trainee hours).[1]

The SOE also funds Small Business training programs through pre-approved agreements issued to colleges or Area Vocational Centers for 10 to 20 trainees. The pre-approved agreement enables the institution to provide funding for businesses training just a few new workers. When each Small Business agreement approaches completion, the SOE issues the institution a new one after receiving verification of expenditures on the current agreement. The agreements between the SOE and an institution provide a set amount of money per trainee, rather than the variable amount based on need provided by a Large Business agreement. For fiscal year 1989, the Critical Industry Small Business agreements provide $400 per trainee ($100 for classroom training and $300 for OJT). Administrative costs are funded on a salaried basis, rather than in the agreements.

Program Organization Is Complicated.

Custom Fit is a complex program because it involves many funding sources and organizations. The program was initiated by a single legislative appropriation for fiscal year 1980, but now uses various sources of state and federal monies. In addition, the program's administrative structure has grown substantially. The multiplicity of funding sources and the involvement of many organizations make the program difficult to understand fully.

The Custom Fit Program has evolved to include many funding sources. Beginning in fiscal year 1980, the Legislature appropriated nonlapsing state funds to the State Board for Vocational Education's Critical Industry Fund. Since then, other

[1] New procedures for this year provide $1.50 per trainee hour to the company during the OJT phase, and fund OJT supervision at institutions on a salaried basis rather than a per agreement basis.

monies to provide training and administration have been added to the program. These include federal Job Training Partnership Act (JTPA) funds, federal Carl Perkins Vocational Act funds, state Unserved Region funds, and state High Technology Training funds. In addition, SOE Division of Operations funds are part of the program. Table I summarizes the funding sources available to the program in fiscal year 1989, and shows whether they are used for direct training costs or indirect administration or coordination costs. Appendix A summarizes the uses of these funds in more detail.

TABLE I

Sources of Funds for Custom Fit Program in Fiscal Year 1989*

STATE APPROPRIATED FUNDS		FUND USE
Critical Industries	$550,000	Training**
High Tech Training	500,000	Training
Unserved Region	175,000	Administration/ Coordination
SOE Operations Budget (approx.)	135,000	Administration
TOTAL STATE FUNDS	$1,360,000	
FEDERAL FUND ALLOCATIONS		
Job Training Partnership Act	112,450	Training
Carl Perkins Vocational Act:		
Title IIA Adult Training/Retraining	198,000	Administration/ Coordination
Title IIA Single Parent/Homemaker	23,725	Training
Title IIB Guidance/Counseling	47,450	Training
Title IIB Adult Training	89,352	Training
TOTAL FEDERAL FUNDS	$ 470,977	
Total Training		$1,322,977
Total Administration/Coordination		508,000
TOTAL CUSTOM FIT PROGRAM	$1,830,977	$1,830,977

* Does not include nonlapsing funds carried forward
** A small portion of these funds is used for administration costs.

Different restrictions on the use of fund sources contributes to program complexity. For example, Critical Industry funds may be

used only for new entry level manufacturing jobs (except in southern Utah where new hospitality industry jobs are also acceptable), but federal funds are not restricted to manufacturing jobs; and High Technology funds may be used for upgrading the training of old employees as well as for training new employees. In general, only disadvantaged populations may be assisted with the JTPA and Perkins monies; however, state funds are not so restricted. In addition, High Technology funds may be used to purchase equipment and for faculty development, but the other funds may not. Of course, federal funding sources must be spent in compliance with federal regulations. State funds use is not limited by written regulations or legislation, but is restricted by policy decisions.

The Custom Fit Program is administered through the Operations Division of the SOE, under the direction of the state superintendent and the State Board for Vocational Education. A Custom Fit Committee meets every two weeks to review training proposals and help make program decisions. SOE Operations Division employees complete state level administrative functions. Custom Fit coordinators employed by institutions and funded by the SOE complete local administrative functions.

The Custom Fit Program's administrative structure has grown considerably since 1980. Governor Matheson's 1979 program proposal stated that mechanisms already in place for the allocation of federal vocational education funds could serve the same function for the Critical Industry appropriation, so additional administrative costs would not be incurred. However, Custom Fit funds are now allocated on a project basis rather than on a formula basis as are federal job training funds. Until this year, administrative costs at institutions have been funded on a per project basis. However, new methods for funding administrative costs locally have now been instituted. Salaried Custom Fit coordinators in nine different regions of the state are responsible for administering the program locally. These individuals are employees of local institutions, but their job description has been approved by the State Board for Vocational Education, and their salaries are funded by Custom Fit.

The involvement of many organizations adds to program complexity. The Service Delivery Areas (SDAs) utilized by the Custom Fit Program coincide with those established by the Governor to administer the federal Job Training Partnership Act (JTPA) program. The JTPA program is administered at the state level by the Office of Job Training for Economic Development (OJTED) in the state Department of Community and Economic Development (DCED). Locally, the JTPA program is guided by nine Private Industry Councils (PICs) and administered by their local SDA staff. DCED personnel are involved in using the Custom Fit Program to promote economic growth. Job Service and local economic development staffs, as well

as college and area vocational center personnel, have an interest in the program. With all the organizations involved, we cannot evaluate the efficiency of the entire system. However, there appears to be a reasonable degree of cooperation among the many organizations. The SOE has tried to encourage cooperation by including broad representation on the State Custom Fit Committee.

The recently expanded membership of the Custom Fit Committee (now officially called the Custom Training for Economic Growth or CTEG Committee) reflects the interests of many development and training organizations in the program. The Custom Fit Committee is chaired by the Custom Fit Program Coordinator at the SOE, and includes representatives from State Job Service, State Board of Regents, State Economic Development Department, Association of Private Industry Councils, SOE Office of Rehabilitation, SOE Office for Vocational Education, Area Vocational Centers, and Colleges and Universities. In addition, two businessmen who have had Custom Fit agreements represent large businesses and small businesses on the Committee. Finally, representatives of the Department of Community and Economic Development and the High Technology Committee, as well as SOE staff, are considered to be staff to the Custom Fit Committee.

Some contention has existed among the parties interested in the Custom Fit Program. For example, some local SDA and PIC personnel have felt the Custom Fit Program was in competition with their programs and have lobbied to gain control over the Custom Fit Program's JTPA funds. As a result of the controversy, this source of Custom Fit funding was reduced by about 80 percent in fiscal year 1989, so the funds could be allocated to local SDAs. SOE officials hope to regain control of these funds in the future.

Legislative Intent Is Unclear.

In addition to the difficulty caused by program complexity, our review of Custom Fit has been somewhat problematic because we cannot clearly identify what the Legislature intends the program to do. The disjointed fashion in which Custom Fit is funded prevents many legislators and the public from fully understanding the program.

The Legislature has funded the Custom Fit Program since fiscal year 1980, but it has provided little guidance as to its purpose. According to intent language included in fiscal year 1980, 1983, and 1984 appropriation bills, the Critical Industry funds are "for allocation to area vocational centers and institutions of higher education in response to emergency needs for vocational training." No other legislation exists on the purpose or use of these funds. One indication of the purpose of the Critical Industry funds comes

from the fiscal year 1980 budget request made by Governor Matheson. The Governor's budget report provided the following agency mission for what was referred to as the New Industry Program:

> A new line item is proposed to provide funds to the State Board for Vocational Education for allocation to Area Vocational Centers and institutions of higher education in response to critical training needs. The funds would be used to initiate new programs or open additional sections for existing programs where job placement opportunities are firm, or when there is a critical labor demand.

Legislative awareness of Custom Fit tends to focus on the state-appropriated Critical Industry Fund, but other state and federal monies are also involved. We are uncertain if these other Custom Fit funds are spent as intended by the Legislature. For example, since only five of the nine regions in Utah have Area Vocational Centers (AVCs), the Unserved Region funds are apparently intended to provide services in the four "unserved" regions that the other regions already have through the AVCs. The SOE uses the Unserved Region funds in a manner similar to how it uses some of the federal Perkins funds. The Unserved Region funds finance Custom Fit coordinators to the non-AVC regions, while the federal Perkins funds finance Custom Fit coordinators to the AVC regions. We have not been able to determine whether the Legislature understands how these funds are used, or whether their use complies with legislative intent.

The other funds used in Custom Fit also lack clear legislative intent. State High Technology Training funds are appropriated to the Department of Community and Economic Development, and have become part of Custom Fit through interdepartmental agreement. JTPA funds are provided by the Federal Government to the state and are controlled by the Governor and his Job Training Coordinating Council (JTCC). Perkins funds are provided by the Federal Government to the State Office for Vocational Education, which controls them.

Custom Fit Program Appears To Provide Benefits

In spite of its complexity, the Custom Fit Program appears to contribute to Utah's economic growth by encouraging job creation. However, we cannot definitely state whether or not the program causes job growth because there is no proof one way or the other. Custom Fit is but one element in the state's overall effort to encourage economic expansion and job growth; we could not isolate the impact of this one program on the state economy. However,

program users and state economic development officials feel that the program benefits the state.

Companies that have received program services feel it is useful. The program benefits companies by paying the costs of classroom instruction, and by subsidizing the wages of new employees for up to 500 hours while they are receiving on-the-job training. Some company representatives praise the ability of the program to respond to their unique training needs. Other representatives told us that their companies already had well-established training programs that would have been delivered regardless, but they appreciated having training costs defrayed by the state. Of course, companies should be expected to praise the program since it provides funding both for classroom training of their employees and for subsidizing wages while they are on the job.

Personnel in the Department of Community and Economic Development (DCED) also feel the Custom Fit Program is useful, in that it is a valuable incentive to encourage companies to locate or expand in Utah. The program provides a tool for the Governor and his representatives to use when bargaining with out-of-state companies considering relocating to Utah. One DCED representative said the Custom Fit Program is one of the first things described to companies considering a move to Utah. Another department employee said the program is one of the few inducements that can be offered to companies to encourage them to expand.

Many companies have received Custom Fit training. In fiscal year 1988, total expenditures of $744,057 were made on Large Business agreements and $555,478 on Small Business agreements. (An additional $45,498 of JTPA funds was spent last year on pre-employment agreements not tied to a specific business, but the Custom Fit Program no longer funds such agreements.) Table II shows fiscal year 1988 expenditures for Large Business agreements by company and for Small Business agreements by institution. Each of the companies' Large Business training programs was approved by the Custom Fit Committee. Many of the Large Business training programs extend beyond one year, so that Table II may show only a part of the expenditures for a company. For example, almost $200,000 was expended in fiscal year 1987 on behalf of All American Gourmet, in addition to the $4,080 expended in fiscal year 1988 that is shown in Table II. The training programs for companies funded through Small Business agreements were not reviewed by the Custom Fit Committee. Use of the pre-approved Small Business agreements has varied substantially depending on the institution. Appendix B shows a list of the number of trainees at each company receiving training through the Small Business program in fiscal year 1988. Because of previous poor record keeping in the Custom Fit Program, we are not confident of the accuracy of this list.

TABLE II

Fiscal Year 1988 Expenditures on Large Business Agreements by Company and Small Business Agreements by Institution

Company	Critical Industry	JTPA	Total
Advanced Holographics	$ 12,875	$ 7,703	$ 20,578
Alco Mfg	10,449	5,949	16,398
All American Gourmet	2,000	2,080	4,080
AT&T	31,637	0	31,367
Basic Mfg	140,868	0	140,868
Bradley	5,365	0	5,365
Brian Head/Royale Travel	3,469	3,006	6,475
Cedar Mesa	4,422	21,834	26,256
Clover Club	22,768	6,865	29,633
Distributors Remfg	16,435	27,139	43,574
G S Technologies	0	8,000	8,000
International Color	475	282	757
Kaibab	0	4,127	4,127
Landmark	0	6,000	6,000
La-Z-Boy	6,385	6,755	13,140
Logan Mfg	9,759	0	9,759
McDonnell Douglas	30,650	1,966	32,616
Mesa	7,500	3,825	11,325
Moab Salt	0	4,283	4,283
Montgomery Ward	3,822	0	3,822
Nephi Rubber	3,399	19,374	22,773
Nucor Steel	16,725	0	16,725
Politwine	15,939	0	15,939
Potential	11,005	30,777	41,782
Rockwell	37,340	27,263	64,603
Smith	18,290	12,831	31,121
Stouffer	0	29,333	29,333
Thiokol	7,956	960	8,916
Tremco	7,700	540	8,240
Tri-Miller	9,541	4,919	14,460
Ute Mfg	1,044	0	1,044
Weslo	54,984	15,444	70,428
TOTAL LARGE BUSINESS	$492,802	$251,255	$744,057

Continued...

Institution	Critical Industry	JTPA	Total
Bridgerland AVC	18,900	51,150	70,050
Davis AVC	70,000	105,050	175,050
Dixie College	19,300	16,500	35,800
Ogden/Weber AVC	21,200	49,800	71,000
Salt Lake Skills Center	16,100	31,078	47,178
San Juan Center	0	1,100	1,100
Snow College	13,300	38,500	51,800
Utah Valley Community College	44,100	59,400	103,500
TOTAL SMALL BUSINESS	$202,900	$352,578	$555,478
GRAND TOTAL	$695,702	$603,833	$1,299,535

Policy Clarification Needed in Custom Fit Program

While the Custom Fit Program appears to provide benefits, as it has evolved over the past ten years, its policy formation process has remained ambiguous. Some ambiguity in the policy process is due to program complexity. However, until recently program employees have done little to try to clarify policy issues. As a result, the past policy void has led to some questionable practices. Although the SOE has made improvements in better defining program policy, the way in which policy is established still needs clarification.

Former Policy Void Led to Questionable Practices.

Inadequate policy definition in past years has led to problems, especially in the area of pre-approved Small Business agreements. Administrative costs have been excessive and the agreements have sometimes been used inappropriately. These problems have reduced the amount of funding available to provide training to companies creating new jobs. However, new standards provided by the SOE appear to have improved the program.

Lack of policy guidance resulted in excessive administrative costs on Small Business agreements. These agreements provided a flat amount per trainee ($700 for Critical Industries or $1,100 for JTPA) to an institution to provide Custom Fit training. However, no guidelines on how to allocate the funds among classroom, OJT, and administration were provided. Thus, each institution used its own judgment on how much money to retain for administrative costs. We estimate that over 60 percent of the SOE's expenditures on Small

Business agreements in fiscal year 1988 were retained for administrative costs by institutions. In contrast, as shown in Table III, less than 11 percent of the Large Business agreement expenditures went for administrative costs at institutions. New guidelines, as explained later, may reduce administrative costs on small Critical Industries agreements, and small JTPA agreements are no longer allowed. The SOE realizes that administrative costs have been too high and is trying to reduce them by funding a salaried Custom Fit coordinator in each region rather than providing funding out of each agreement.

TABLE III

Custom Fit Administration/Coordination Costs and Total Expenditures for Large and Small Business Agreements in Fiscal Year 1988

	Total Agreement Expenditures	Administration/Coordination Costs at Institutions	
		Amount	Percent of Total
Large Business	$ 744,057 (57%)	$ 78,000 (19%)	10%
Small Business	$ 555,478 (43%)	$333,000 (81%)	60%
TOTAL	$1,299,535	$411,000	32%

NOTE: Administrative costs at state office not included.

Small Business agreements have also been used inappropriately in the past. Institutions report that SOE staff directed them verbally to use the agreements in ways that are no longer allowed. For example, institutions were apparently told to use Small Business agreements even for relatively large training programs in order to avoid review by the Custom Fit Committee and to gain more administrative money for the institution. New guidelines require that a Large Business agreement be prepared whenever more than 10 individuals are to be trained in a year. If that guideline had been applied last year, nine companies with 220 trainees (36 percent of all Small Business agreement trainees) would have been moved from the Small Business program to the Large Business program. Providing training through the Large Business program would have reduced the funds going to administration and increased the amount available for training.

A second example of inappropriate use of Critical Industry Small Business funds is providing funding for companies that do not create new jobs. One institution reported it received verbal approval to provide training to handicapped individuals who were replacing former employees using Critical Industries funds intended only for new jobs. The SOE's current Program Coordinator said he was unaware of this practice, does not feel it is an appropriate expenditure of these state funds. Furthermore, he reports that steps have been taken to prevent Critical Industry funds from being spent for these type of jobs in the future.

The way in which Small Business agreements were used prevented the Custom Fit Committee from reviewing a large portion of Custom Fit expenditures. As shown in Table III, only 57 percent of Custom Fit expenditures last year were for Large Business agreements, which the Committee reviews individually. The bulk of the administrative money retained by institutions came from the other 43 percent of expenditures (for Small Business agreements) that the Committee does not review. If the Custom Fit Committee had reviewed the Small Business agreement expenditures, it may have restricted how the funds were used, reducing administrative costs. However, the role of the Custom Fit Committee in controlling the program is not clear.

Policy Establishment Process Still Needs Clarification.

Changes initiated by the SOE for fiscal year 1989 appear to have significantly improved the Custom Fit Program. However, a number of issues remain unresolved, and therefore the program's future direction is uncertain.

The foremost issue needing resolution is the responsibility of different entities in establishing policy. We have not been able to determine the roles of the State Board for Vocational Education, the Custom Fit Committee, the State Superintendent, and the Custom Fit Program Coordinator in setting policy. Local Custom Fit representatives say that in the past important policy decisions were communicated to them verbally by the former program coordinator. New written guidelines clearly are an improvement, but responsibility for them remains unclear. Although SOE staff and the Custom Fit Committee had a role in developing them and they have been presented to the State Board, approval requirements remain unclear.

The role of the Custom Fit Committee, which has been identified as an advisory committee to the SOE's Division of Operations, remains confusing to us. While the Committee is supposed to review and approve Large Business agreements, some programs have started before they were presented to the Committee.

Small Business programs have not been routinely considered by the Committee. In addition, final approval for projects apparently rests with the superintendent or his executive finance committee. The Custom Fit Committee's responsibility for setting policy is also unclear. According to the SOE's Custom Fit Coordinator, the Committee is responsible for setting program policy. However, since much of the program's funding is appropriated to the State Board for Vocational Education, the board certainly has a policy responsibility. In our opinion, the body responsible for approving changes in program guidelines, and making other policy decisions, should be formally identified.

While the written guidelines are an improvement, they have not kept up with changes in the program. The most current guidelines are dated May 24, 1988, and do not reflect some current practices. For example, although high technology and Carl Perkins funds are now considered part of the program, they are not yet included in the standards. One result is that it remains unclear how the high technology funds are awarded. These funds are appropriated to the DCED, and a high technology Committee has been established at Weber State College to review training proposals. We have been provided contradictory answers about whether the Custom Fit Committee approves proposals, or only reviews prior approved proposals in order to possibly supplant state funds with federal Carl Perkins funds.

Perhaps the most important omission in program guidelines is the funding formula for Custom Fit coordinators in the nine local SDAs. As noted above, in order to reduce costs, the SOE decided to fund Custom Fit positions in each region to provide local administrative functions rather than funding administration on a per agreement basis. However, the guidelines still include the per agreement basis. Some institutions are allocated only one-third or one-half funding because their prior Custom Fit volume was less than that of other institutions. Representatives of some institutions, as well as an associate superintendent at the SOE, told us no additional administrative funds would be provided institutions this year regardless of agreement volume. However, employees of other institutions, as well as the Custom Fit Program Coordinator at the SOE, say additional administrative funds will be provided to institutions generating sufficient agreement volume. The Program Coordinator told us he is allowing Salt Lake Community College to receive additional administrative funds already because of the high volume of agreements expected in the Wasatch Front South region. In addition, no guidelines exist on the volume of agreements required in order for institutions to continue receiving full funding next year. We think it is important that the funding formula for local administration be written to ensure that everybody understands it and that all regions are treated fairly.

Policy clarification is important because the future direction of the program needs to be decided. Several people we talked with suggested that the focus of the program should be on providing classroom training and that OJT funding should be eliminated or curtailed. The reasons given for reducing the OJT phase were that available funds were being spread too thin and there had been conflict with the JTPA program, which funds OJT. Another important policy issue that has been raised is the appropriateness of pre-approved Small Business agreements. These agreements have been questioned possibly because they have been the cause of most program problems in the past and have remained outside the purview of the Custom Fit Committee. Another of the important decisions to be made is the identification of the administrative monitoring needed to control and guide the program.

Improved understanding of Custom Fit operations would be possible if a program budget were prepared showing all sources and uses of funds. As we discussed earlier, one reason the program is difficult to understand is that it involves so many different funding sources. The Legislature and public will not be able to understand the Custom Fit Program fully until it is budgeted and analyzed as a program. The SOE reports it is working toward program budgeting and will have this type of information available in the future.

Clear Administrative Procedures Are Needed

In addition to policy clarification, the Custom Fit Program needs clear administrative procedures. The future success of the program depends on the development and enforcement of the administrative controls needed to guide the program. Clearly, the program has been loosely administered in the past, but has improved recently. The program's policy makers need to set up procedures that ensure the integrity of the program without making it unnecessarily costly.

Historically, few program controls have been enforced. In past years there apparently has been a surplus of funds and the emphasis has been on spending the money available. How funds were spent was less of a concern. Now, as funds have become tighter, the emphasis has been on a more effective use of the funds. The guidelines described in the previous section are one step in that direction, but mechanisms are also needed to ensure compliance with those guidelines. It appears that the SOE is moving toward a stricter enforcement of the guidelines.

Since Small Business agreements are issued on a pre-approved basis, it is important that their use be reviewed after the fact. Little, if any, review of small business agreement use has occurred in past years. One result has been that agreement stipulations sometimes have not been followed. For example, one institution frequently provided training for jobs paying less than the $4.00 per hour required by its Small Business agreement. The institution sent the SOE written reports listing the wage and job title of each trainee. However, the SOE never denied payment for these trainees, and the institution staff report they were unaware of a wage requirement even though it was a written stipulation in each agreement.

Currently, it appears that program requirements are being more strictly enforced. Jobs not meeting standards have recently been denied payment. Critical Industry funds are supposed to be expended on manufacturing or production jobs, except in Southern Utah where service or hospitality training is allowed. Some jobs which may have been inappropriately funded with Critical Industry money in the past include driver, maintenance worker, dishwasher, loan technician, secretary, telephone interviewer, and accountant. Inadequate review of Small Business agreement use by the SOE resulted in payment for these jobs. However, recently the SOE denied a request for payment for training of drivers and maintenance workers. This shows an effort by the SOE to make sure that program use complies with program guidelines. This strengthening of program controls needs to be continued.

The Custom Fit policy body should help define the administrative requirements of the program as a means of ensuring that its policy decisions are implemented. We feel that a prepayment review of Small Business agreement use is certainly needed, but the value of other administrative procedures is less clear. Some current or possible administrative functions suggested during our audit work are as follows.

1. **Monitoring of Training Programs.** SOE staff report that some on-site monitoring of training programs has occurred, but it has not been well documented. Monitoring has never been a high priority; it has been assigned as a part-time secretarial function. Although a monitoring form exists, it has not always been used. SOE staff and some others feel increased monitoring of training programs is needed. However, the associate superintendent told us that monitoring information has never been used at his level in program considerations. If monitoring is going to be useful, it needs to be done on a more systematic schedule and be better documented than it has been in the past.

2. **Verification that Companies Are Expanding.** Since the program's purpose is to encourage job growth, the most important administrative function may be to determine that companies are really creating new jobs. Generally, the program relies on a statement by a business that it will expand, but on Large Business agreements some checking of State Job Service's employment data is done before the agreement is signed. We reviewed employment data of 13 companies after training had been paid for, and in two instances it appeared the companies may not have fulfilled the expansion criteria. If policy makers want to verify that only training for new jobs is funded, then a prepayment review rather than (or in addition to) a pre-agreement review of employment data should be completed. Certainly, Custom Fit staff could do more to verify that companies really have expanded, but it may not be worth the cost.

3. **Supervision During OJT.** A substantial amount of the program's administrative cost has been for institution staff to provide supervision during the OJT phase. However, it is not obvious to us that this supervision is worth the cost. Some company representatives told us that supervision was not beneficial to them. In addition, one Custom Fit coordinator told us that a company had once denied him access to trainees during OJT. SOE staff told him to work with the company as best he could.

4. **Program Follow-up.** Currently no follow-up is completed on past training programs. One indicator of program effectiveness might be the job retention rate. We obtained some data indicating that about one-half of trainees on the Small Business program leave their jobs within a year. However, the job retention rate on Large Business programs may be higher. Some people feel that job retention is not a meaningful statistic because the program focus is the job. A more important follow-up question might be whether the job still exists regardless of who fills it. The value as well as the cost of follow-up data is uncertain.

The necessity and level of these and other administrative functions should be a consideration of the Custom Fit policy body. Once that body is formally identified and program policy is clearly stated, the controls needed to implement policy have to be determined. The SOE has made excellent strides improving program administration, and should continue to do so. However, administrative functions also need to be limited so that more program funds go to provide training.

Recommendations:

1. We recommend that the State Board for Vocational Education identify in writing the Custom Fit Program's policy-making process.

2. We recommend that the SOE annually prepare a Custom Fit Program budget showing all sources and uses of funds.

3. We recommend that the Custom Fit Program guidelines be updated and kept up-to-date according to the process determined by the State Board for Vocational Education.

4. We recommend that the Custom Fit policy body be involved in determining the administrative functions that need to be completed to ensure program integrity and cost effectiveness.

5. We recommend that program controls include a prepayment review of Small Business agreements, and that payment be denied when expenditures are not in compliance with the agreement's terms.

We hope this letter has provided you with the information you need on the Custom Fit Program. Please let us know if we can answer any further questions you may have.

Sincerely,

Wayne L. Welsh
Auditor General

WLW:syg

Enclosures: Appendix A
Appendix B

APPENDIX A

Uses of Custom Fit Program Funds in Fiscal Year 1989

STATE APPROPRIATED FUNDS

1. Critical Industries: Used for new and expanding business in Large Business program and Small Business program. May only be used for a new worker in a new job. Curriculum, classroom, and OJT costs may be included. These funds are to be expended through Utah's public vocational-technical schools.

2. High Technology Training: Used to provide training for new or existing businesses. May include upgrade training of current employees. Some equipment for educational programs may be purchased with these funds.

3. Unserved Region: Used to pay salaries of Custom Fit coordinators in four regions without an Area Vocational Center.

4. State Office Operations Budget: Used to pay the salaries of SOE staff administering the Custom Fit Program.

FEDERAL FUND ALLOCATIONS

1. Job Training Partnership Act (JTPA): Used to provide training to JTPA certified eligible trainees. A portion of the JTPA 8% Set Aside funds is designated by the Governor to be expended through Utah's public vocational-technical schools. By written memorandum of understanding between the Office of Job Training for Economic Development and the SOE, these funds may only be used for classroom training in the Large Business program.

2. Carl Perkins (Title IIA Adult Training/Retraining): Used to pay salaries of Custom Fit coordinators in five regions with an Area Vocational Center.

3. Carl Perkins (other categories): Used to provide training to individuals meeting specific eligibility requirements.

APPENDIX B

List of Number of Trainees by Company and Institution for Small Business Agreements in Fiscal Year 1988

Bridgerland Area Vocational Center (Bear River Region)

Alco Industries	4	Hyclone Lab	3	Omnidata	2
Alco Tote & Bag	16	Logan Coach	19	Wasatch Envelope	1
Athletic Bag	4	Logan Mfg	11	Whites Trout	5
Central Valley Mach.	2	Lowder Lab	1	Z-Bag	4
Don's Auto Body	1				
		TOTAL TRAINEES IN REGION			73

Davis Area Vocational Center (Davis Region)

ACE Sheet Metal	1	Futura	50	Lund Auto Body	1
Am Genealogy Library	1	G B Machine	1	Lynn Wood Service Ct	1
Angela Marie	34	G K Machine	1	Mac Ind.	4
Apple Food Stores	1	Gibbs M. Smith Inc.	3	Merrill's Paint & Gl	1
Arrow Dynamics	1	Hy Tech Tooling	1	Mtn State Sch Bk Dep	2
Assoc. Piping	1	In-Touch Products	1	National Net	3
Bailie Tool	2	Jensen Auto Service	1	Nat'l Fitness System	3
Bills Auto	1	J.A.S. Company	1	Newtech	1
Blue Cross/Blue Shie	3	Kremco Steel	4	Nice Corp	3
C & C Wood	3	Lakeview Hospital	1	Oakridge Country Club	3
CJs Body Works	2	Laminite Ent.	1	Rocky Mtn Milk	13
C&H Transportation	2	Layton Hills Mall	1	Skydandee	1
DeWaal & Sons	1	Layton Sportswear	8	Team Mechanical	7
Dick's Tire & Auto	1	Lee's Cafe	1	Tunex Automotive	1
Diversified Microg.	5	Lifetime Products	5	Universal Steel	5
Dorrity Machine Shop	2	Lincoln Body Shop	1	USF&G Insurance	1
Flameco Engr.	1	Loan Peak Designs	1	U-Haul Company	1
Focus Electronics	1				
		TOTAL TRAINEES IN REGION			196

Dixie College (Southwest Region)

American Rec	12	GV Development	3	Ram Company	5
Color Country Print	1	Hurricane Elec	1	Sage Cabinets	1
Fabratex	9	Interwest Reb	1	Servicemaster	3
GV Cabinets	2	Kelty Products	3	Wardrop Cabinets	1
		TOTAL TRAINEES IN REGION			42

Ogden/Weber Area Vocational Center (Weber/Morgan Region)

Apparel Ventures	42	Peterson Spec. Fab.	1	Venus Corporation	1
Crouch & Wood CPAs	1	Rebel Enterprises	1	Volvo White	8
Futura Home Products	3	Solaray	2	Wells Cargo	2
GDL Welding	5	Sportsland Sales	3	West Tech Medical	2
GSC Foundaries	1	Tube Manufacturing	1	Western Coating	1
Imperial Marble	1				
		TOTAL TRAINEES IN REGION			75

Continued...

Appendix B - Continued

Salt Lake Skills Center (Wasatch Front South Region)

Above It Infant Care	4	Mic-Eze	2	Unibase	2
Chancellor Assoc	2	Pyke Manufacturing	3	Valley-S.L. Contax	1
C. R. England	9	Rabbits Reproduction	2	Wallace Assoc	1
De-Lite Wood	2	Sand Scenes	19	Wasatch High Voltage	3
Helio-Flex Corp	1				

TOTAL TRAINEES IN REGION 51

San Juan Center (Southeast Region)

Henry Hillsen	1

TOTAL TRAINEES IN REGION 1

Snow College (Central Region)

Collectables	5	Hillside Farms	5	Pyke Mfg.	2
Gal-Tech	3	IPSC	5	Ruth's Fashions	1
Hansen Boatworks	8	Moroni Processing	6	Sanpete Research Lab	2
Harward Farms	2	Paiute Fabrics	1	Utah American Corp.	14

TOTAL TRAINEES IN REGION 53

Uintah Basin Area Vocational Center (Uintah Basin Region)

No training completed

TOTAL TRAINEES IN REGION 0

Utah Valley Community College (Mountainlands Region)

A&H Equipment	1	Hallmark Signs	1	Savage Mfg.	3
Bills Service Ctr	1	Harding & Harris	2	Sirrus Systems	2
Bushman Press	4	Hart Scientific	1	Skyline Industries	2
Case	1	High Medical Lasers	1	Skyline Metal Fab.	1
Castle Systems	1	Kara International	1	Spectrum Ink	1
Community Con.	1	Kinateder, Smart	1	Spire Technology	1
Courtesy Mortgage	1	Kitko	1	SR Mfg.	1
Craftsman Uphol.	2	Lowry Doors	1	Stone Construction	5
Creative Index	1	Lund Optical	2	Summit Coal	7
Dale's Upholstery	1	Maca Supply	1	Sunrider Herbs	1
Dave Adams Auto	2	Main Street Journal	1	Tayson Tire	1
DHI	2	NCRS	1	Traco Manuf.	2
DMAC	2	Netline	8	UHI	2
Don's TV Service	1	Novell	3	Universal Graphics	1
Essence Perfume	2	Orem Lock Smith	1	U. S. Synthetic Corp	1
Folio Corporation	1	Pegasus Truck Cab In	3	Valgardson Homes	2
Four Star Auto	1	People's Computers	1	Vectra Industries	2
Fowler Company	1	Phillips Corp.	2	VLS	2
Frederico Landscapin	1	Project Lift	1	Water & Wastewater	1
Gallery House	1	Pro-Litho	2	Wes Pro	1
GST	2	Reid Institute	1	Western Watts	9
H B Imaging	1	Rocky Mtn. Sea Life	2		

TOTAL TRAINEES IN REGION 117

TOTAL TRAINEES STATEWIDE 609

UTAH STATE OFFICE
OF EDUCATION

James R. Moss
State Superintendent of Public Instruction

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CUSTOM TRAINING FOR ECONOMIC GROWTH PROGRAM

RESPONSE TO LEGISLATIVE AUDITOR GENERAL REPORT

JANUARY 30, 1989

Mr. Wayne L. Welsh
Auditor General
412 State Capitol

Dear Wayne:

Your visit, with members of your staff, to my office last Friday was very much appreciated.

Members of your staff have performed an exhaustive audit over the past few months of the Custom Fit Training Program and it is my belief that a number of recommendations that were made for program improvement by your audit staff can add strength to the current program.

This program is a vital part of Utah's economic development efforts. As we incorporate recommendations from your audit report into the Custom Fit Program it is my belief that we will further enhance Utah's efforts to remain competitive with other states in trying to attract new business or to support current efforts of Utah's businesses to expand.

I am pleased to provide a response to your five recommendations concerning the Custom FIT Training Program:

Recommendations 1 - Recommendation that the State Board for Vocational Education identify in writing the Custom Fit Program's policy-making process.

Response - On March of 1988 after a change in the management of the Custom Fit Program at the Coordinator level, the current Program Coordinator and staff substantially revised and tightened the program standards and made recommendations for policy development. The State Board approved the revised Standards and Policy development recommendations after they had been reviewed by the expanded State Custom Training For Economic Growth Committee.

The state staff and the Custom Training for Economic Growth Committee have, within the past month, again made recommendations to strengthen the program approval process for Custom Fit Projects. These recommendations will go before the State Board for Vocational Education in its February 1989 meeting for review.

250 East 500 South / Salt Lake City, Utah 84111 / (801) 538-7500

Two other agencies are assisting the State Board to make this model program as effective as possible. The State Office of Community and Economic Development and the State Board of Regents work closely with the program and have representation on the State Custom Training For Economic Growth Committee to assure that there is effective coordination in the program operation.

Policy-making procedures are currently a part of the Custom Fit Standards and Procedures document. However, we feel your recommendation is appropriate and the administration of the State Office of Education will carefully review and adjust policy-making procedures where appropriate.

Recommendation 2 - Recommend that the USOE annually prepare a Custom Fit Program budget showing all sources and uses of funds.

Response - The State Office of Education in previous years has presented to the State Legislature for review a budget with all of the Critical Industry Funds that the Legislature has approved during the previous year. Federal JTPA funds were not indicated in previous budgets because they represented a Federal fund that could be utilized by a business for only a special population.

This year's presentation to the Legislature included a total of all Federal and State Funds which are being utilized in the Custom Fit Program, some for the first time this year and all but the state funds having some restricted use.

Recommendation 3 - Recommend that the Custom Fit Program guidelines be updated and kept up-to-date according to the process determined by the State Board for Vocational Education.

Response - Standards and guidelines of the State Custom Fit Program are generally updated and strengthened on an annual basis. Due to the change in the Coordinator of the Custom Fit Program, staff have reviewed and strengthened the Standards and Guidelines twice during the past eight months. The State Custom Training For Economic Growth Committee have approved the most recent improvements and the State Board for Vocational Education will review the most recent request for the approved changes in its February 1989 meeting.

Recommendation - Recommend that the Custom Fit policy body be involved in determining the administrative functions that need to be completed to ensure program integrity and cost effectiveness.

Response - The State Custom Training For Economic Growth Committee is made up of representatives from a number of the various state agencies who have direct involvement in job training and employment. These committee members are asked to serve two functions:

1. Review and recommend to the State Board for Vocational Education, approval of standards and procedures as recommended by staff to the committee.

2. Review and approve any requests for Custom Fit training projects in their regular meeting held every two weeks.

Inasmuch as the State Board for Vocational Education is charged to administer the program, they assume final program and budget approval for the Custom Fit Program.

Recommendation - Recommend that program controls include a prepayment review of Small Business Agreements, and that payment be denied when expenditures are not in compliance with the agreement's terms.

Response - The following program approval process is currently in place for all Small Business Agreements:

1. Once a region has been approved by the State Custom Training For Economic Growth Committee to operate a small business agreement, it becomes the responsibility of the region CTEG Director to verify that the business is truly in an expansion mode or that it is a new business. The region also assures that all other standards required by the Custom Fit program are met.

2. Before another Small Business Agreement is furnished to that same region, state staff are charged to verify that standards are fully adhered to.

3. If all standards have been met then another Small Business Agreement may be furnished to that region. If any standards have not been met, payment for the current program is denied.

Our agency remains highly committed to the Custom Fit Program and the effect it is having on economic development within our state. We see your commitment as well and appreciate the positive recommendations of your staff to the strengthening of this program.

Thank you for your review and assistance.

Respectfully,

James R. Moss, Superintendent
of Public Instruction

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